



Department of Defense DIRECTIVE

NUMBER 4275.5

October 6, 1980

USDR&E

SUBJECT: Acquisition and Management of Industrial Resources

References: (a) DoD Directive 4275.5, subject as above, July 13, 1978 (hereby canceled)
(b) through (y), see enclosure 2

1. REISSUANCE AND PURPOSE

This Directive:

1.1. Reissues reference (a) to establish uniform policy governing the acquisition and management of facilities, special tooling, and special test equipment, whether these industrial resources are acquired by and used solely within the Department of Defense or operated and used by a contractor.

1.2. Assigns responsibilities for reviewing the use, maintenance, expansion, modernization, replacement, and disposal of industrial resources, with their related programming, budgeting, and financing procedures (enclosure 1).

1.3. Authorizes publication of DLA 4215.1-M, "Management of Defense-Owned Industrial Plant Equipment."

2. APPLICABILITY AND SCOPE

2.1. The provisions of this Directive apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter called the "DoD Components").

2.2. Its provisions cover acquisition, modernization, expansion, construction, and use of both severable and non-severable property for increasing or improving production for research and development capabilities.

2.3. Its provisions also cover the retention, maintenance, and modernization of DoD-owned plant equipment and plant equipment packages (PEPs) needed to provide the production capacity to support the combat readiness of the U.S. Forces, in accordance with DoD Directive 4005.1 (reference (b)).

2.4. This Directive does not cover the establishment and operation of Government-owned, Government-operated (GOGO) activities that are approved in accordance with DoD Directive 4151.1 (reference (c)). Equipment obtained by these activities will be reported to the Defense Industrial Plant Equipment Center (DIPEC) upon acquisition. GOGO activities that compete with private industry and have a preparedness capability will be reported annually in the Departmental Industrial Reserve Plants/Maintenance Facilities report, under DoD Instruction 4155.4 (reference (d)).

3. DEFINITIONS

The terms used in this Directive are defined in enclosure 3.

4. POLICY

4.1. The Department of Defense shall minimize Government ownership of facilities in consonance with the need to ensure economical support of essential peacetime, surge, and mobilization requirements. This shall be accomplished through an orderly phase-down of current Government ownership and the use of methods to encourage greater investment by private industry in facilities supporting defense programs.

4.2. A base of Government-owned facilities shall be retained for those industries determined essential to defense production, when private investment is inadequate or unavailable.

4.3. The Congress shall be notified by the Department of Defense of all Government construction to be accomplished under the authorities of this Directive.

4.4. Government property in the hands of contractors and subcontractors is controlled and accounted for through procedures maintained in accordance with the DAR (reference (e)). Plant equipment shall be reported to and accounted for by the DIPEC upon acquisition.

4.5. Enclosure 1 includes guidance for the disposal of excess facilities, environmental protection, Occupation Safety and Health Administration requirements, the Energy Conservation and Management Program, and other areas of responsibility; the programming, budgeting, and financing of facilities projects, numerical control standardization; and personal property reporting.

5. RESPONSIBILITIES

5.1. The Under Secretary of Defense for Research and Engineering (USDR&E) shall:

5.1.1. Develop and supervise procedures for implementing the policies established in section 4.

5.1.2. Review during the budget cycle, in coordination with the Assistant Secretary of Defense (Comptroller) (ASD(C)) and the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics), proposals for facility projects involving new funds during the current year to acquire, expand, or replace facilities.

5.1.3. Approve, in coordination with other elements of the OSD, facilities projects in excess of authority delegated to the Military Departments and Defense Agencies. If such projects involve the use of military construction funds, they shall be in accordance with the provisions of DoD Instruction 7040.4 (reference (f)).

5.1.4. Ensure that the Congress is notified of all construction efforts, using Research, Development, Test, and Evaluation (RDT&E), Procurement, or Operation and Maintenance (O&M) funds, except as authorized by DoD Directives 7040.2 and 4270.24 (references (g) and (h)).

5.2. The Secretaries of the Military Departments and the Directors of Defense Agencies shall:

5.2.1. Ensure that comprehensive reviews are made of requests for facility expansions, examine alternatives for DoD modernization and rehabilitation funding, measure requests against realistic requirements, examine all facilities held for surge and mobilization, and give full consideration to technological changes and multi-shift production.

5.2.2. Analyze and review proposed projects, specifying the criteria to be used in establishing the facility requirement policy in section 4.

5.2.3. Ensure that records are maintained to provide information that may be required by the USDR&E and the other DoD Components in the exercise of their responsibilities under this Directive.

5.2.4. Ensure that the Congress is notified of all facilities projects involving construction. In no case shall a late-start project involving construction be consummated without congressional notification.

5.2.5. Use the formats in DLA 4215.1-M to approve, recertify, or discontinue PEPs and report status.

5.3. The Secretaries of the Military Departments or their designees (no lower than Assistant Secretary level) and the Directors of Defense Agencies may approve Government-owned facilities projects, provided:

5.3.1. The plant and equipment investment costs to support a specific major system or subsystem do not exceed a total of \$25 million during the projected procurement or maintenance effort; projects exceeding the \$25 million threshold shall be submitted to the USDR&E for approval. Projects shall not be subdivided into separate increments for the purpose of bypassing the \$25 million threshold and shall meet DAR provisions 13-301 (reference (e)). In the case of research and development-funded projects, those exceeding a \$3 million threshold shall be submitted to the USDR&E for approval.

5.3.2. The OSD-designated focal point for Government property policy and management, the weapon systems and subsystems program monitors, and the ASD(C) are provided (prior to Program Objective Memorandum (POM) submission) annual overview presentations of plant and equipment projects forecasted for Department/Agency approval.

5.3.3. The Congress is notified in advance of starting any project involving construction, regardless of the dollar amount. ADD Form 1391, "Military Construction Project Data," is submitted in support of budget requests for these notifications. Separate DD Forms 1391 will be submitted to Congress to justify out-of-cycle budget construction requirements.

5.3.4. Facilities projects funded by procurement for other than major systems or subsystems are approved on a location basis and shall not exceed more than \$5 million for all property efforts (expansions, modernization, rehabilitation) during one fiscal year. Projects in excess of \$5 million shall be submitted to the USDR&E for approval. In the case of research and development-funded projects, those exceeding a threshold of \$3 million, shall be submitted to the USDR&E for approval. The Military Departments may redelegate approval of projects not exceeding \$5 or \$3 million, respectively, to a level lower than an Assistant Secretary.

5.4. The Heads of the DoD Components, or designated DoD Component representatives, shall establish and maintain continuing, coordinated programs for planning, reviewing, and approving their industrial facilities needs; and acquiring, constructing, expanding, replacing, using, and disposing of such facilities. The program of each DoD Component shall provide for:

5.4.1. Centralized, uniform review and control of facility projects and industrial equipment replacement projects, and for identification of plant equipment required in connection with and related to industrial facility projects. The DoD Components must thoroughly screen idle inventory and use any suitable real property or equipment that is available before authorizing procurement for expansion, modernization, or replacement.

5.4.2. Continuous surveillance over the current use and future requirements for all Government-owned industrial real property and plant equipment to ensure proper and timely disposal arrangement for excess facilities and facilities for which continued Government ownership is no longer necessary. Excess industrial plant equipment (IPE) will be identified and reported to DIPEC under the procedures prescribed for IPE reporting, in accordance with DLA 4215.1-M and the DAR (reference (e)).

5.5. The Secretary of the Military Department concerned, the Director of the Defense Logistics Agency, or, in the case of other Defense Agencies, the USDR&E, shall approve production contracts that propose the incorporation of incentive clauses for contractor investment in industrial facilities that create potential Government liability, such as, agreement by the Government to purchase such facilities if the program is canceled.

6. INFORMATION REQUIREMENTS

6.1. The reporting requirements of this Directive have been assigned Report Control Symbol DD-DR&E(AR)642.

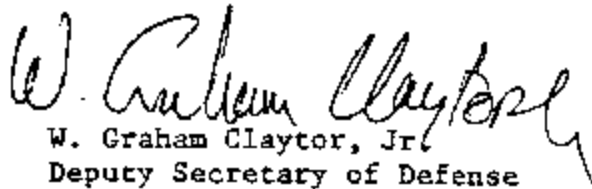
6.2. The recordkeeping requirements prescribed herein have been assigned Report Control Symbol DD-DR&E(AR)1212.

6.3. The DIPEC shall provide the DoD Components and the USDR&E with a copy of its quarterly report, "Planning Data for PEPs," 30 days after the end of each quarter.

6.4. The DoD Components shall submit an annual report of personal property, using Interagency Report Control Number 0154-GSA-AN.

7. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward two copies of implementing documents, limited to the substantive changes in this Directive, to the Under Secretary of Defense for Research and Engineering within 120 days.


W. Graham Claytor, Jr.
Deputy Secretary of Defense

Enclosures - 3

- E1. Secondary Facilities, Property Policy, and Financial Guidance
- E2. References, continued
- E3. Definitions

E1. ENCLOSURE 1

SECONDARY FACILITIES, PROPERTY POLICY, AND FINANCIAL GUIDANCE

E1.1. FACILITIES AND PROPERTY POLICY

E1.1.1. Government Ownership and Management of the Industrial Base. The industrial base, consisting of both Government and contractor-owned facilities, shall provide a capability to support current procurement, surge, and mobilization requirements specified in consolidated guidance for industrial preparedness planning.

E1.1.1.1. The industrial base shall be examined continually to ensure it is responsive to rapidly changing weapons technology and to demands to improve defense posture. The Government-owned segment of this industrial base shall not exceed the minimum needs beyond contractor-owned capacity necessary to meet production requirements.

E1.1.1.2. The maintenance segment of this Government-owned industrial base shall meet approved workload requirements for essential weapons and equipment (DoD Directive 4151.1, reference (c)).

E1.1.2. Phase-Down Program and Private Investment Incentives. Requirements for additional facilities to perform defense contracts shall be met through an increase in contractor-owned facilities. Each DoD Component shall implement a program to phase down Government ownership of, and investment in, industrial facilities. This is a follow-on to the existing DoD phase-out policy.

E1.1.2.1. The phase-down program shall acknowledge that all contractors may not have the capital available to replace Government-owned equipment on a predetermined schedule. It shall also recognize that certain sectors of the defense industry may require continued Government ownership of industrial plant and equipment. In these events, the DoD Components shall identify such facilities and request their exemption from the phase-down program. Exemptions shall be approved at a level no lower than an Assistant Secretary of a Military Department.

E1.1.2.2. The goals of the phase-down program and the industrial preparedness program must be mutually considered to ensure that an essential nucleus of Government-owned plants and equipment is maintained. Information on phase-down actions, including approved exemptions, shall be included as part of the annual Defense Industrial Reserve Report. This phase-down effort is flexible to compensate for

changing factors, such as military requirements, foreign sales commitment, and economic and business conditions.

E1.1.2.3. To encourage capital investment by contractors, the use of the following investment incentive techniques shall be explored before purchasing additional Government-owned equipment:

E1.1.2.3.1. Multiyear Contracts. See DAR 1-322 (reference (e)).

E1.1.2.3.2. Special termination buy-back techniques that enable the Government to acquire the contractor's severable capital investment, when approved by the Secretary of the Military Department or Director of the Defense Agency concerned. For Defense Systems Acquisition Review Council (DSARC) programs, the potential liability resulting from this technique should be listed by fiscal year in a Decision Coordinating Paper (DCP), which is approved by the DoD Acquisition Executive.

E1.1.2.3.3. Value engineering incentive provisions to share savings resulting from contractor capital investment. See DAR 1-1700 (reference (e)).

E1.1.2.3.4. Procedures that emphasize contractor investment while calculating the fee or profit objective under weighted guidelines. See DAR 3-808 and 3-1300 (reference (e)).

E1.1.2.3.5. Award fees for development and implementation of effective contractor investment plans. See DAR 3-405.5 (reference (e)).

E1.1.3. Selection of Contractors Capable of Providing Facilities. Competitive solicitations shall maximize the use of contractor-owned equipment and facilities. However, the Department of Defense may offer to provide or move Government-owned plant equipment to contractors' plants, if merited on the basis of economics, necessity, or other justification. In negotiated procurement, an important consideration in the selection of a contractor is the ability to provide adequate and modern facilities for developing and producing the product. Before considering a request for new facilities, contractors shall be required to show that they have made or plan to make full use of subcontractors who possess adequate and available facilities.

E1.1.4. Planned Investment in Government Facilities for Major Defense Program (Facilities Plan). As part of the DCP the DoD Component shall state how much Government investment in plant and equipment is contemplated during each program milestone phase. As the program progresses, these estimates shall be refined to state the purposes and the ceiling amounts contemplated during each fiscal year. Before a

production contract is awarded, the DoD Component and the prospective contractor must determine how much Government investment in plant and equipment is required. The production contract must reflect this determination.

E1.1.5. Investment in Facilities. In accordance with DoD Directive 4100.15 and DoD Instruction 4100.33 (references (i) and (j)), a DoD Component is required to decide whether a product or service shall be provided by Government-owned (in-house) or by private means. The method of performance alternatives shall be reviewed and evaluated to determine the most cost-effective method of operation to the Government. This decision shall be made and documented before the DoD Component concerned invests in industrial facilities for new Government-operated programs or in industrial facilities for existing Government-operated programs, when dollar thresholds established in DoD Instruction 4100.33 (reference (j)) are exceeded.

E1.1.6. Continuous Review of the Use of Facilities

E1.1.6.1. Government-owned facilities shall be continuously reviewed to:

E1.1.6.1.1. Validate the need for retention to support current or emergency requirements;

E1.1.6.1.2. Ensure they are used for the purpose intended;

E1.1.6.1.3. Ensure their economic use;

E1.1.6.1.4. Minimize costs;

E1.1.6.1.5. Increase productivity;

E1.1.6.1.6. Lessen the need for providing additional facilities; and

E1.1.6.1.7. Retain the capability to produce products that support current weapons until advanced technology products have been delivered.

E1.1.6.2. Major DoD Components shall develop, for both standard IPE and NC IPE, with acquisition cost of \$100,000 or more, utilization objectives consistent with projected peacetime surge mobilization workloads. Workload interchange among DoD in-house facilities and other Government Agencies are considered as a way to achieve these objectives.

E1.1.7. Retention and Maintenance of Plant Equipment

E1.1.7.1. The Defense Industrial Reserve Act of 1973 (reference (k)) authorizes the retention of equipment. It is the policy of the Department of Defense to retain that production capability that is beyond the capability of industry to fulfill military emergency requirements in accordance with DoD Directive 4215.18 (reference (l)). Machine tools and other industrial manufacturing equipment may be held in PEPs or in a general reserve to:

E1.1.7.1.1. Maintain a high state of readiness for production of critical items of defense materiel;

E1.1.7.1.2. Provide production capacity for defense materiel not available in private industry; or

E1.1.7.1.3. Assist private industry in time of national disaster.

E1.1.7.2. The responsibility for approving and recertifying PEP is delegated to the Assistant Secretary of the Military Department concerned or to the Director of DLA. Each DoD Component must establish management guidelines to ensure that Government-owned equipment is immediately released from a PEP when the requirement no longer exists, and that required PEPs are maintained in a state of readiness. Refined PEP items shall be reviewed annually and more frequently, should need for retention and recertification be required. Formats and instructions for this purpose are contained in DLA 4215.1-M and shall be submitted to DIPEC under RCS DD-DR&E(AR)642.

E1.1.8. Equipment Replacement/Modernization. Modernization shall be undertaken for only those facilities that are necessary to support the current or emergency requirements. Modernization of existing facilities is permitted to provide sustained wartime mobilization capability in accordance with DoD investment guidance. Contractors are encouraged to replace old, inefficient manufacturing processes or Government-owned equipment by investing in modern, more efficient, privately owned equipment. The weighted guidelines for negotiation of profit or fee (DAR, section III, reference (e)) and the incentive techniques in subparagraph E1.2.3. encourage the contractor to provide equipment required for DoD contracts.

E1.1.8.1. Each DoD Component shall establish a plan for the replacement or modernization of plant equipment, including that retained in PEPs, caused by obsolescence, the need for repair, or technology advances. Planning and identification of equipment needs shall include consideration of the availability of personnel, adequacy of equipment support, such as computer support for NC equipment, work-mix projections, and availability of funds.

E1.1.8.2. For DoD-owned equipment designated for continued ownership, the primary justifications for accomplishing replacement or modernization projects are the economic and technical benefits to be obtained by:

E1.1.8.2.1. Introducing advanced manufacturing processes to enhance productivity;

E1.1.8.2.2. Alleviating equipment obsolescence; and

E1.1.8.2.3. Making the Government-owned segment of the production base more responsive to industrial preparedness requirements. The "Industrial Plant Equipment Replacement Analysis Work Sheet," DD Form 1106, included in DLA 4215.1-M or the instructions of DoD Instruction 7041.3 (reference (m)), may be used to perform the economic analysis of proposed DoD investments.

E1.1.8.3. When cost benefits are used to justify replacement or modernization projects for long-term, ongoing production programs, the replacement costs for new equipment shall normally be amortized within 3 years for the aerospace industry and within 5 years for other industries. These amortization criteria do not apply to Government-owned and -operated mission support activities. Replacement economic analysis procedures are set forth in DLA 4215.1-M. In cases where cost savings are expected to accrue to the Government, they should be so identified and appropriate contractual adjustments made, consistent with the DAR (reference (e)). "Industrial Equipment Modernization Program - Post Analysis Report," DD Form 1651, shall be submitted by the contractor.

E1.1.8.4. The DoD Components shall maintain records of increased productivity, technological improvements, industrial preparedness benefits, and savings resulting from facilities modernization or replacement. They shall review the resulting benefits on an after-the-fact basis. Such records shall serve as a guide in reaching future decisions on modernization or replacement in similar situations, and shall be available for review by the USDR&E.

E1.1.9. Special Test Equipment (STE) and Special Tooling (ST)

E1.1.9.1. The DoD Components shall ensure that special-purpose test equipment and special tooling are acquired for Government account when no practical alternative exists.

E1.1.9.2. Procurement of Government-owned ST and STE shall be programmed, budgeted, and financed under applicable Procurement or RDT&E appropriations in the manner prescribed by the DAR and DoD 7110.1-M (references (e)) and (n)). To ensure that only equipment that explicitly falls into the ST and STE categories is considered, the definition for each is included in enclosure 3.

E1.1.9.3. DoD Components shall ensure that Government-owned plant equipment is not procured under the guise of STE to avoid the phase-down program.

E1.1.10. DoD-Furnished Non-severable Facilities on Privately Owned Land. Buildings or other non-severable facilities shall not be constructed by the Government on privately owned land, except as provided in the DAR (reference (e)).

E1.1.11. Environmental Considerations. Environmental impact must be considered in the acquisition and management of industrial facilities, in accordance with DoD Directive 6050.1 (reference (o)).

E1.1.11.1. Pollution Abatement. Requirements related to pollution abatement shall be in accordance with DoD Directives 5100.50 and 4165.60 and DoD Instruction 4120.14 (references (p), (q), and (r)).

E1.1.11.2. Flood Hazards. Evaluation of flood hazards shall be made in accordance with the requirements of E.O. 11988 (reference (s)).

E1.1.11.3. Protection of Wetlands. Evaluations of construction in wetlands shall be made in accordance with the requirements of E.O. 11990 (reference (t)).

E1.1.12. Occupational Safety and Health Act of 1970 (OSHA) Requirements

E1.1.12.1. The burden of compliance with the OSHA rests with the DoD contractor. Therefore, the DoD Components shall contract on the assumption that DoD contractors are complying with the OSHA. Determination to retrofit or modify Government-owned property or facilities shall be made by the DoD Components on an individual basis, consistent with mission accomplishment and long-term needs. Modification to Government-owned plant equipment in storage to meet OSHA standards shall only be made when the property is placed into active use.

E1.1.12.2. If nonconformance to OSHA standards for Government-furnished property or facilities is reported by the Department of Defense or a defense contractor under an ongoing contract, the administrative contracting officer (ACO) shall verify such nonconformance and advise the contracting activity. The procuring contracting officer (PCO) or other authority designated by departmental regulations, shall pursue one of the following options:

E1.1.12.2.1. Recommend contractor request variance from pertinent standard when alternate safety measures shall provide adequate protection.

E1.1.12.2.2. Negotiate replacement with contractor-owned property.

E1.1.12.2.3. Replace with other suitable Government property.

E1.1.12.2.4. Authorize modification of Government property at contractor expense with the understanding that title to any non-severable modification vests in the Government.

E1.1.12.2.5. Authorize modification by the contractor at Government expense only if continued use of the property is essential in support of major programs.

E1.1.13. Energy Conservation and Management (ECAM) Program. The ECAM Program is a procurement and RDT&E-funded effort to pursue the development of energy conservation measures and to retrofit DoD-owned facilities to increase energy efficiency. Since ECAM is a procurement and RDT&E-funded program, energy conservation measures at GOCOs shall be executed under the ECAM Program. Furthermore, the ECAM Program shall also apply to GOGO activities for energy conservation measures involving equipment normally bought with procurement or RDT&E funds. Energy conservation measures involving construction at GOGOs shall continue to use military construction (MILCON) funds under the Energy Conservation Investment Program. E.O. 12003 (reference (u)) establishes a goal to reduce energy consumption per gross square foot of floor space in existing federally owned buildings by 20 percent between 1975 and 1985. The DoD Components shall identify all potential energy conservation projects under the ECAM Program that are cost effective, that is, self-amortizing within their economic life, and shall include such projects in their annual budgets. All budget estimates projecting the use of procurement and RDT&E funding for ECAM projects shall be supported by economic analyses, consistent with the guidelines contained in DoD Instruction 7041.3 (reference (m)). The ECAM Program may be patterned after the MILCON-funded Energy Conservation Investment Program (ECIP).

E1.1.14. Disposal of Excess Facilities. Government-owned facilities shall be screened for reutilization as soon as the facilities become excess to the missions for which they were acquired. If not required for current procurements or surge requirements to support the combined U.S. and allied force levels specified by Secretary of Defense criteria for retention of industrial facilities and equipment, such facilities shall be declared excess to ownership or excess to need.

E1.1.14.1. The DoD Components may propose and justify on a case-by-case basis the retention of any facility that is excess to established retention criteria.

E1.1.14.2. Automatic data processing equipment (ADPE) associated with IPE declared excess shall be screened and reported in accordance with DoD 4160.19-M (reference (v)).

E1.1.14.3. Real property disposal shall be in accordance with DoD Directive 4165.6 and DoD Instruction 4165.12 (references (w) and (x)).

E1.1.14.4. When a facility is no longer required for peacetime production, but its capacity would be needed to support the force levels outlined in retention criteria established by the Secretary of Defense, consideration shall be given to offering that facility for sale, subject to the stipulation that its capacity for defense production shall be maintained. The decision to offer the facility for sale shall take into consideration the difference in post-M-day production response with that facility under private versus Government ownership, and the cost of additional war reserve stocks needed to offset any degradation in post-M-day production response that would result from sale of the facility.

E1.2. PROGRAMMING, BUDGETING, AND FINANCING FACILITIES PROJECTS

E1.2.1. Government-Provided Facilities. When it is determined that DoD financing of real-property projects is required, they shall be programmed, budgeted, and financed in accordance with one of the following methods. Further, all proposed real property facilities shall be identified to the Congress in accordance with DoD 7110.1-M (reference (n)). Construction efforts, as defined in DoD Directive 7040.2 (reference (g)), require specific authorization from the Congress:

E1.2.1.1. Financing Construction of GOGO Real Property as Military Construction Projects. When GOGO real property is to be acquired or constructed, such construction shall normally be programmed, budgeted, and financed as a military construction project in accordance with the provisions of DoD Directive 7040.2 and DoD Instruction 7040.4 (references (g) and (f)).

E1.2.1.2. Financing GOCO Facilities Construction

E1.2.1.2.1. When GOCO real property is acquired or constructed on a military installation (such as a post, camp, base, or station), such construction shall normally be programmed, budgeted, and financed as a military construction project in accordance with the provisions of DoD Directive 7040.2 and DoD Instruction 7040.4 (references (g) and (f)). However, if, for the convenience of the Government, these facilities are contractor-operated and the contractor is responsible for the O&M of the facility complex, such real property may be financed under procurement or RDT&E funds.

E1.2.1.2.2. When GOCO facilities are acquired or constructed on Government real property, other than a military installation under the provisions of this Directive, they shall be programmed, budgeted, and financed under procurement or RDT&E funds.

E1.2.1.2.3. GOCO ammunition plants shall be authorized in military construction but financed with procurement funds.

E1.2.1.2.4. All proposed procurement and RDT&E real property facilities shall be identified to the Congress in accordance with DoD 7110.1-M (reference (n)).

E1.2.2. Financing Government-Owned Equipment in GOCO and Contractor-Owned Contractor-Operated (COCO) Facilities. Proposed equipment requirements shall be programmed, budgeted, and financed with procurement, O&M, or RDT&E funds. Equipment for GOGOs shall be financed under the provisions of DoD Directive 4151.1 (reference (c)).

E1.2.3. Budget Submission. All industrial resources (plants and plant equipment) funding requirements shall be included within Production Base Support (Army) or Industrial Facilities (Navy and Air Force).

E1.2.4. Financing Installation and Instrumentation Required for RDT&E Activities at Government-Owned Facilities. Cost of installation of equipment and instrumentation, including directly related foundations, shielding, environmental control,

weather protection, instructional adjustments, utilities, and access may be financed from RDT&E appropriations in accordance with DoD 7110.1-M (reference (n)).

E1.2.5. Programming and Budgeting for the Use of Special Termination Buy-Back Technique for Contractor Capital Investment in Major DoD Programs. Special termination provisions may be used when the contractor will not make capital investment in major defense programs. These provisions provide for all or some portion of the unamortized value should the program be canceled or drastically limited. The amount of contingency liability resulting from using the special termination buy-back technique must be identified in accordance with budget procedures.

E1.3. NUMERICAL CONTROL STANDARDIZATION

It is DoD policy to adopt or develop the necessary NC IPE hardware, software, and interface standards that will permit routine electronic transmission of machine-readable NC IPE process planning and control information between facilities, with few or no changes, on functionally equivalent NC IPE to produce identical components. Company proprietary data will be excluded from this provision. Standardization assignments are made in accordance with DoD Directive 4120.3 (reference (y)). The DLA has been assigned the responsibility for maintaining the library of NC IPE technical information.

E1.4. PERSONAL PROPERTY REPORTING

E1.4.1. The DoD Components, including organizations such as the Defense ADPE Resources Office and DLA activities (DIPEC, Defense Property Disposal Service), shall submit required data to the OUSDR&E for compilation and submission to the General Services Administration. The report shall include personal property that is:

E1.4.1.1. Obtained as excess or determined to be no longer required for the purposes of the appropriation from which it was purchased; and

E1.4.1.2. Furnished in any manner whatsoever within the United States to any recipient other than a Federal Agency.

E1.4.2. The report shall provide the following data: name and address of recipients, status (either DoD contractor or project grantee), two-digit Federal supply classification group, number of items, and total acquisition cost. Negative reports are required.

E1.4.3. The report shall be submitted during the calendar quarter following the close of each fiscal year.

E2. ENCLOSURE 2

REFERENCES, continued

- (b) DoD Directive 4005.1, "DoD Industrial Preparedness Production Planning," July 28, 1972
- (c) DoD Directive 4151.1, "Use of Contractor and Government Resources for Maintenance of Materiel," June 20, 1970
- (d) DoD Instruction 4155.4, "Inspection and Reporting of Departmental Industrial Reserve Plants/Maintenance Facilities," January 31, 1980
- (e) Defense Acquisition Regulation (DAR), Sections I, III, VII, XIII, XV, XXIV, App. B and C
- (f) DoD Instruction 7040.4, "Military Construction Authorization and Appropriation," March 5, 1979
- (g) DoD Directive 7040.2, "Program for Improvement in Financial Management in the Area of Appropriations for Acquisition and Construction of Military Real Property," January 18, 1961
- (h) DoD Directive 4270.24, "Minor Construction and Restoration or Replacement of Facilities Damaged or Destroyed," October 16, 1978
- (i) [DoD Directive 4100.15](#), "Commercial and Industrial-Type Activities," February 4, 1980
- (j) DoD Instruction 4100.33, "Operation of Commercial and Industrial-Type Activities," February 25, 1980
- (k) Defense Industrial Reserve Act of 1973 (Public Law 93-155)
- (l) DoD Directive 4215.18, "Management of Defense-Owned Industrial Plant Equipment (IPE)," March 7, 1974
- (m) [DoD Instruction 7041.3](#), "Economic Analysis and Program Evaluation for Resource Management," October 18, 1972
- (n) DoD 7110.1-M, "DoD Budget Guidance Manual," July 7, 1978
- (o) DoD Directive 6050.1, "Environmental Effects in the United States of DoD Actions," July 30, 1979
- (p) DoD Directive 5100.50, "Protection and Enhancement of Environmental Quality," May 24, 1973
- (q) DoD Directive 4165.60, "Solid Waste Management - Collection, Disposal, Resource Recovery and Recycling Program," October 4, 1976
- (r) DoD Instruction 4120.14, "Environmental Pollution Prevention, Control and Abatement," August 30, 1977
- (s) Executive Order 11988, "Floodplain Management," May 24, 1977
- (t) Executive Order 11990, "Protection of Wetlands," May 24, 1977

- (u) Executive Order 12003, "Energy Policy and Conservation," July 20, 1977
- (v) DoD 4160.19-M, "Defense ADPE Reutilization Manual," September 1974
- (w) [DoD Directive 4165.6](#), "Real Property Acquisition, Management and Disposal,"
December 22, 1976
- (x) DoD Instruction 4165.12, "Prior Approval of Real Property Actions," July 23, 1973
- (y) DoD Directive 4120.3, "Defense Standardization and Specification Program,"
February 10, 1979

E3. ENCLOSURE 3

DEFINITIONS

E3.1.1. Industrial Base. That part of the total privately owned and Government-owned industrial production and maintenance capacity of the United States, its territories, and possessions, and the capacity located in Canada expected to be available during emergencies to manufacture and repair items required by the approved forces.

E3.1.2. Plant Equipment (PE). Personal property of a capital nature (consisting of equipment, machine tools, test equipment, furniture, vehicles, accessory, and auxiliary items, but excluding special tooling and special test equipment) used or capable of use in the manufacture of supplies, in the performance of services, or for any administrative or general plant purposes.

E3.1.3. Industrial Plant Equipment (IPE). That part of plant equipment, with an acquisition cost of \$1,000 or more, used for the purpose of cutting, abrading, grinding, shaping, forming, joining, testing, measuring, heating, treating, or otherwise altering the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply, processing, assembly, or research and development operations; further identified in joint DoD Handbooks listed in 13-312 of the DAR (reference (e)).

E3.1.4. Other Plant Equipment (OPE). That part of plant equipment regardless of dollar value that is used in or with the manufacture of components or end items for maintenance, supply, processing, assembly, or research and development operations; but excluding items categorized as IPE.

E3.1.5. Plant Equipment Package (PEP). A complement of active and idle PE that has been formally approved for retention, in accordance with criteria and procedures in this Directive and in DLA 4215.1-M.

E3.1.6. Facilities. Property (other than material, special tooling, military property and special test equipment) for production, maintenance, research, development, or test, including real property and rights therein, buildings, structures, improvements, and plant equipment (see DAR 13-101.8, reference (e)).

E3.1.7. Special Test Equipment (STE). Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose

testing in the performance of the contract. Such testing units comprise electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment that are mechanically, electrically, or electronically interconnected to become a new functional entity, causing the individual item or items to become interdependent and essential in the performance of special purpose testing in the development or production of particular supplies or services. Special test equipment does not include material, special tooling, buildings, and nonseverable structures (except foundations and similar improvements necessary for the installation of special test equipment), and plant equipment items used for general plant testing purposes.

E3.1.8. Special Tooling (ST). All jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment, manufacturing aids, and replacements thereof, are of such a specialized nature that, without substantial modification or alteration, their use is limited to the development or production of particular supplies or parts thereof or the performance of particular services. The term includes all components of such items, but does not include material, special test equipment, or buildings, and non-severable structures (except foundations and similar improvements necessary for the installation of special tooling), general or special machine tools, or similar capital items.

E3.1.9. Construction. The erection, installation, or assembly of buildings or structures; the addition, expansion, extension, alteration, conversion, or replacement of existing buildings or structures. It includes equipment and utilities installed and made a part of the real property (excludes installation and relocation of severable property and minor modifications necessitated by the installation or relocation of such severable property) and related site preparation, excavation, and other land improvements.

E3.1.10. Maintenance Facilities. Fixed installations, such as shipyards and depots, that support organizational maintenance and intermediate maintenance activities through the availability of more extensive shop facilities, equipment, and personnel of higher technical skill than are available at lower maintenance levels. Some of the types of maintenance normally provided by these shops are inspection, test, repair, modification, alteration, modernization, conversion, overhaul, reclamation, or rebuild of parts, assemblies, subassemblies, components, and end items.

E3.1.11. Non-severable Property. Property that cannot be removed after erection or installation without substantial loss of value or damage to the property or to the premises.

E3.1.12. Project. A planned undertaking of something to be accomplished, acquired, produced, or constructed, having a finite beginning and a finite ending, such as a construction project or a research and development project.

E3.1.13. Capital-Type Rehabilitation. Major repair or replacement of Government-owned property that exceeds normal maintenance requirements.

E3.1.14. Modernization and Replacement. The replacement of one or more existing items of equipment to achieve economic or industrial preparedness advantages to the Department of Defense through increased efficiency. Items that are Government-furnished may be replaced either by new procurement or by equipment from idle inventories. Replacement action must be supported by an analysis of cost savings or industrial preparedness benefits to be realized.

E3.1.15. Expansion. The addition of personal or real property that creates a new industrial plant or augments the capability or capacity of an existing plant.

E3.1.16. Defense Industrial Plant Equipment Center (DIPEC). A primary-level field activity of the Defense Logistics Agency (DLA), responsible for providing services to the DoD Components in the performance of functions specified in DoD Directive 4215.18 (reference (1)).

E3.1.17. Mobilization. The act of preparing for war or other emergencies through assembling and organizing national resources; the process by which the Armed Forces or part of them are brought to a state of readiness for war or other national emergency. This includes assembling and organizing personnel, supplies, and material for active military service.

E3.1.18. Industrial Preparedness Planning. Planning designed to maintain an adequate industrial base to support DoD requirements for selected essential military items in a national emergency.

E3.1.19. Surge. The ability of the industrial base to rapidly meet accelerated production requirements of selected items with existing facilities and equipment in a peacetime environment. (No declared national emergency.) Only existing peacetime program priorities will be available to obtain materials, components, and other industrial resources necessary to support accelerated program requirements.

E3.1.20. Excess to Ownership. Facilities required for defense production. Private ownership is preferred to Government ownership.

E3.1.21. Excess to Need or Requirement. Facilities no longer required for defense production. They are available for transfer to other Government Agencies or for declaration as excess by the General Services Administration (GSA) and disposal in any possible manner.

E3.1.22. Numerical Control Industrial Plant Equipment (NC IPE). IPE in which actions are controlled by the direct insertion of numerical data at some point. The equipment must automatically interpret at least some portion of the data.

E3.1.23. NC IPE Software. Information and organized methods of processing and storing that information necessary for the utilization of NC IPE in its intended functions. It includes, but is not limited to, information stored in the following: procedures, practices, drawings, catalogs, tables, paper tape, magnetic tape, computer input, output, or instructions (by any name), part programs, NC IPE setup instructions, and NC IPE part programming language.

E3.1.24. Machine-Readable Information. Information organized, formatted, or stored to enable it to be read directly and automatically by devices that are capable of coding, transmitting, and then decoding and recreating the information in the original form.